

It is a real pleasure to have the opportunity to come before the House Tax Policy committee and offer some comments on the proposal being put forth to replace the Michigan Single Business Tax.

My name is C.J. Shroll and I am the Executive Director of the American Subcontractors Association of West Michigan. This is a rapidly growing organization of specialty trade contractors, suppliers and service providers focused primarily on the construction of commercial buildings. We are part of national organization of more than 5,000 members focused on improving the legislative environment, the professionalism and success of our members. Our members are the companies that provide the majority of the skilled work that goes into the building of schools, hospitals, retail buildings and malls, manufacturing facilities, ethanol conversion plants, multi family housing units, and hotels, motels and convention facilities. Our companies help create the space in which other businesses and organizations do their business. We are an integral part of the business, public sector, and community infrastructure.

Because of our position we are very interested in the changes taking place in Michigan in regards to the budget and tax structure for the whole state, and specifically the taxes levied on our businesses and how those taxes will be used. We are also interested in keeping the cost and tax environment favorable to improving the economy in Michigan.

First of all, we think all opportunities to reduce the spending of tax dollars that would therefore reduce the need for taxes on the people and businesses of the state should be fully considered. We do not however think that necessary, important, and critical state services should be cut or eliminated. We think that the expenditures ought to be fully justified before taxes are collected to pay for those expenditures.

For instance, education is probably the most important state responsibility, and one that is critical to the success of our member businesses. So we care a lot about it being done well and economically. But this is probably an area where there should be careful review and consideration to determine if better results could be gained at a lesser cost. For instance I believe there are approximately 534 public school districts in the Michigan along with the Intermediate infrastructure and probably an equal number of charter schools and other entities all supposedly working towards the same end. It just doesn't seem likely that we need to fund well over 1,000 sets of administrators and other support structures. It does seem likely that there are some potential savings that could and should be accomplished. A careful consideration of some different structures that could lead to increased student learning and success should be undertaken with some real vigor. The same kind of look should be taken at the various local units of government and the provision of emergency services, just to name a few.

Perhaps the economic times and challenges currently facing the state will give us the motivation and commitment to move forward and beyond "business as usual." Our companies and the future of the state clearly depend on a strong and successful education system. Our companies are continually changing the way they do their business and state supported systems should also.

This brings me to the comments on the proposed replacement for the Single Business Tax or more generally the taxes that will be needed to provide the funding necessary for the services that that people and businesses of the state want the state to provide.

The proposal for the "Michigan Economic Opportunities Tax" has been characterized as necessary to replace the expiring Single Business Tax. This begs the question raised previously about how much tax is needed. We think that the legislature's work to determine the need for tax revenues is critical. We're asking you to investigate and determine how we can get the most value for the least cost.

Paying a fair amount of tax for the services that are necessary and important is something our businesses can live with, but paying more tax than is necessary is not.

Spreading the tax burden more equitably to out of state companies is a good thing. The credits or exclusions for "investment in depreciable tangible assets" are also a good thing. The cost of construction equipment is going up but it doesn't necessarily last any longer. We are particularly pleased with the proposed changes to the Personal Property Tax. This has been a huge administrative burden for our companies with some filing more than 50 returns in a single year.

We're not sure this is the right tax plan yet, and not sure that it is fully justified. More work needs to be done and more details need to be provided. We should not rush into new taxes without the due diligence.

We're aware that there is some discussion about some sort of temporary tax structure and that the whole question of taxes could be put before the voters of Michigan. That has some merit, since the people of Michigan ultimately pay all of the bills. Taxes on businesses eventually get passed through to the end consumer. Taxes on our construction subcontractors would be reflected in the cost of construction projects, which would get factored into the health care costs, retail costs and other costs to the end consumer. We recognize the need to apply some taxes to business activity, we just want to make that the amount is well justified and the tax process is as simple as possible.

We think there is merit in many of the tenets put forth by the chambers of commerce such as a broad tax base, taxes evenly and fairly distributed, all business sectors paying their share, a tax system that is easy to comply with, relief from personal property tax confusion, and a fair standard tax for very small businesses.

Thank you.

Respectfully submitted:

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